

Dabur

In-line 2Q, slight beat in domestic volume

Dabur's 1QFY21 was broadly in line with a beat in domestic revenue. Consolidated revenue/EBITDA was down by 13/9% YoY (in-line) with domestic revenue/volume decline of 7/10% YoY (HSIE -13%). In domestic, HPC and Food portfolio saw 15% and 34% YoY decline while Healthcare recorded a strong 29% YoY growth (Honey and Chywanprash up by 69% and 7x YoY). Market share gain (across portfolio), rural growth (+1% YoY) and strong demand for healthcare products were the key highlights of the result. Performance in oral care (+1% YoY) was better than Colgate (-4%YoY), and the company gained market share in toothpaste. Juices remained under pressure as OOH consumption impacted LUPs. Ecommerce saw strong growth and revenue mix jumped to 5.6% (1.5% earlier). The international business saw a 22% YoY decline with massive impact in MENA and Egypt. Bangladesh clocked 14% cc growth (healthy growth for Marico too). Margins saw improvement aided by (1) lower consumer offers, (2) price increases and (3) heightened focus on cost rationalization. We expect a gradual recovery, aided by a healthy pick-up in rural and healthcare portfolio. We maintain our EPS for FY21/FY22/FY23. We value Dabur at 42x P/E on Jun-22E EPS and derive a target price of Rs 433. Maintain REDUCE.

- Healthcare drives revenue:** Revenue declined by 13% YoY (+9% in 1QFY20 and -12% in 4QFY20) vs HSIE estimated 14%. Domestic business declined by 7% YoY while International dipped by 22% YoY. Hair Care/Home Care were the worst impacted, declining by 23/31% YoY, while Healthcare/OTC saw strong growth of 53/34% YoY. Secondary sales fared better than primary, clocking a 5% YoY decline for the quarter and 7% YoY growth in June. The trend continued in July (up 5-6% YoY). GT/MT/CSD clocked decline of 13/28/50% YoY, but e-commerce saw robust growth.
- Margins resilient:** Gross margin was flat at 49.4% (-9bps in 1QFY20 and -66bps in 4QFY20). Price increase and low consumer offers were offset by 3% YoY inflation in the RM basket. Employee/ASP/other expenses declined by 3/28/18% YoY, leading to an EBITDAM expansion of 126bps YoY to 21% (+122bps in 1QFY20 and -314bps in 4QFY20). EBITDA declined by 7% YoY to Rs 4.2bn (in-line). APAT declined by 10% YoY to Rs 3.4bn.
- Call takeaways:** (1) Channel inventory stood at 16 days vs 23 days in April; (2) the company is focused on expanding its presence in e-commerce with exclusive products and increased allocation of ASP to digital media; (3) rural business grew by 1% YoY while urban declined by 13% YoY; (4) the company gained market share across several categories; (5) GT has shown signs of recovery while MT continues to be under stress.

Quarterly/Annual Financial summary

YE Mar (Rs mn)	1Q FY21	1Q FY20	YoY (%)	4Q FY20	QoQ (%)	FY20	FY21E	FY22E	FY23E
Net Sales	19,800	22,733	(12.9)	18,654	6.1	87,036	88,296	98,842	109,557
EBITDA	4,166	4,576	(9.0)	3,523	18.3	17,924	18,704	21,019	23,173
APAT	3,418	3,791	(9.8)	2,972	15.0	15,254	16,108	17,880	19,162
Diluted EPS (Rs)	1.93	2.15	(9.8)	1.68	15.0	8.63	9.12	10.12	10.84
P/E (x)						57.2	54.2	48.8	45.6
EV / EBITDA (x)						47.7	45.5	40.5	36.8
RoCE (%)						44.6	40.4	43.3	44.7

Source: Company, HSIE Research

REDUCE

CMP (as on 30 Jul 2020)	Rs 492
Target Price	Rs 433
NIFTY	11,102

KEY CHANGES	OLD	NEW
Rating	REDUCE	REDUCE
Price Target	Rs 433	Rs 433
	FY21E	FY22E
EPS %	0%	0%

KEY STOCK DATA

Bloomberg code	DABUR IN
No. of Shares (mn)	1,767
MCap (Rs bn) / (\$ mn)	869/11,607
6m avg traded value (Rs mn)	1,678
52 Week high / low	Rs 525/385

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	0.5	2.7	16.3
Relative (%)	(11.4)	10.5	15.4

SHAREHOLDING PATTERN (%)

	Mar-20	June-20
Promoters	67.88	67.87
FIs & Local MFs	7.62	7.42
FPIs	17.43	17.63
Public & Others	7.07	7.08
Pledged Shares	0.00	0.00

Source : BSE

Pledged shares as % of total shares

Varun Lohchab

varun.lohchab@hdfcsec.com
+91-22-6171-7334

Naveen Trivedi

naveen.trivedi@hdfcsec.com
+91-22-6171-7324

Aditya Sane

aditya.sane@hdfcsec.com
+91-22-6171-7336

Disclosure:

Authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. HSL has no material adverse disciplinary history as on the date of publication of this report. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report.

Research Analyst or his/her relative or HDFC Securities Ltd. **does not have** any financial interest in the subject company. Also Research Analyst or his relative or HDFC Securities Ltd. or its Associate may have beneficial ownership of 1% or more in the subject company at the end of the month immediately preceding the date of publication of the Research Report. Further Research Analyst or his relative or HDFC Securities Ltd. or its associate **does not have** any material conflict of interest.

HDFC Securities Limited (HSL) is a SEBI Registered Research Analyst having registration no. INH000002475.

Disclaimer:

This report has been prepared by HDFC Securities Ltd and is solely for information of the recipient only. The report must not be used as a singular basis of any investment decision. The views herein are of a general nature and do not consider the risk appetite or the particular circumstances of an individual investor; readers are requested to take professional advice before investing. Nothing in this document should be construed as investment advice. Each recipient of this document should make such investigations as they deem necessary to arrive at an independent evaluation of an investment in securities of the companies referred to in this document (including merits and risks) and should consult their own advisors to determine merits and risks of such investment. The information and opinions contained herein have been compiled or arrived at, based upon information obtained in good faith from sources believed to be reliable. Such information has not been independently verified and no guaranty, representation of warranty, express or implied, is made as to its accuracy, completeness or correctness. All such information and opinions are subject to change without notice. Descriptions of any company or companies or their securities mentioned herein are not intended to be complete. HSL is not obliged to update this report for such changes. HSL has the right to make changes and modifications at any time.

This report is not directed to, or intended for display, downloading, printing, reproducing or for distribution to or use by, any person or entity who is a citizen or resident or located in any locality, state, country or other jurisdiction where such distribution, publication, reproduction, availability or use would be contrary to law or regulation or what would subject HSL or its affiliates to any registration or licensing requirement within such jurisdiction.

If this report is inadvertently sent or has reached any person in such country, especially, United States of America, the same should be ignored and brought to the attention of the sender. This document may not be reproduced, distributed or published in whole or in part, directly or indirectly, for any purposes or in any manner.

Foreign currencies denominated securities, wherever mentioned, are subject to exchange rate fluctuations, which could have an adverse effect on their value or price, or the income derived from them. In addition, investors in securities such as ADRs, the values of which are influenced by foreign currencies effectively assume currency risk. It should not be considered to be taken as an offer to sell or a solicitation to buy any security.

This document is not, and should not, be construed as an offer or solicitation of an offer, to buy or sell any securities or other financial instruments. This report should not be construed as an invitation or solicitation to do business with HSL. HSL may from time to time solicit from, or perform broking, or other services for, any company mentioned in this mail and/or its attachments.

HSL and its affiliated company(ies), their directors and employees may; (a) from time to time, have a long or short position in, and buy or sell the securities of the company(ies) mentioned herein or (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) discussed herein or act as an advisor or lender/borrower to such company(ies) or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions.

HSL, its directors, analysts or employees do not take any responsibility, financial or otherwise, of the losses or the damages sustained due to the investments made or any action taken on basis of this report, including but not restricted to, fluctuation in the prices of shares and bonds, changes in the currency rates, diminution in the NAVs, reduction in the dividend or income, etc.

HSL and other group companies, its directors, associates, employees may have various positions in any of the stocks, securities and financial instruments dealt in the report, or may make sell or purchase or other deals in these securities from time to time or may deal in other securities of the companies / organizations described in this report.

HSL or its associates might have managed or co-managed public offering of securities for the subject company or might have been mandated by the subject company for any other assignment in the past twelve months.

HSL or its associates might have received any compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory service in a merger or specific transaction in the normal course of business.

HSL or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither HSL nor Research Analysts have any material conflict of interest at the time of publication of this report. Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions. HSL may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report.

Research entity has not been engaged in market making activity for the subject company. Research analyst has not served as an officer, director or employee of the subject company. We have not received any compensation/benefits from the subject company or third party in connection with the Research Report.

HDFC securities Limited, I Think Techno Campus, Building - B, "Alpha", Office Floor 8, Near Kanjurmarg Station, Opp. Crompton Greaves, Kanjurmarg (East), Mumbai 400 042 Phone: (022) 3075 3400 Fax: (022) 2496 5066 Compliance Officer: Binkle R. Oza Email: complianceofficer@hdfcsec.com Phone: (022) 3045 3600

HDFC Securities Limited, SEBI Reg. No.: NSE, BSE, MSEI, MCX: INZ000186937; AMFI Reg. No. ARN: 13549; PFRDA Reg. No. POP: 11092018; IRDA Corporate Agent License No.: CA0062; SEBI Research Analyst Reg. No.: INH000002475; SEBI Investment Adviser Reg. No.: INA000011538; CIN - U67120MH2000PLC152193

HDFC securities**Institutional Equities**

Unit No. 1602, 16th Floor, Tower A, Peninsula Business Park,

Senapati Bapat Marg, Lower Parel, Mumbai - 400 013

Board: +91-22-6171-7330 www.hdfcsec.com